HOUSING MARKET INFORMATION

HOUSING NOW

Canada

Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

Housing starts decrease in July

The seasonally adjusted annual rate[1] of housing starts was 134,200 units in July, down from 137,800 units in June.

The decrease in July housing starts is mostly attributable to the volatile multiple starts segment. Most of the decline occurred in Ontario and Alberta, while in Quebec housing starts increased by 21.9 per cent representing 8,300 new units.

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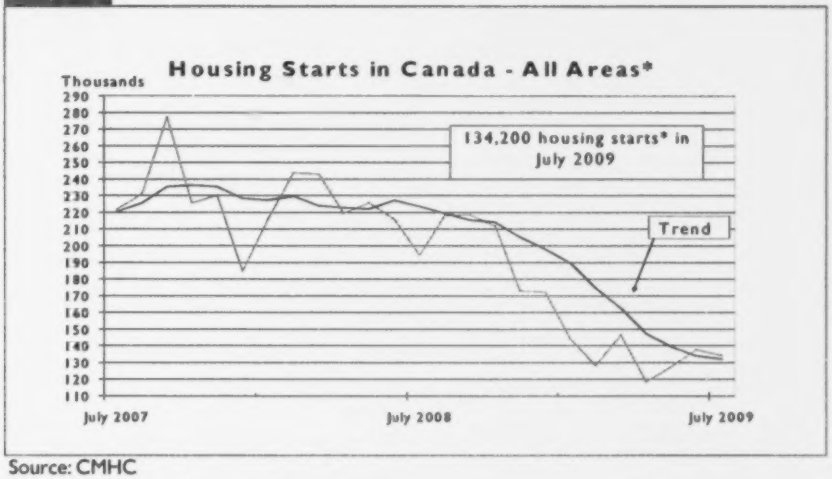
Figure 1



Source: CMHC

* Seasonally adjusted at annual rates
Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

[1] All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

Canada

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Urban starts move lower in July

The seasonally adjusted annual rate of urban starts decreased 3.7 per cent to 115,600 units in July. Urban multiple starts declined 6.4 per cent to 62,700 units, while urban single starts moved lower by 0.4 per cent to 52,900 units in July.

Urban starts increase in Quebec

July's seasonally adjusted annual rate of urban starts moderated in all regions, except for Quebec where urban starts grew by 22.7 per cent to 40,000 units. Urban starts moderated by 15.0 per cent to 36,900 units in Ontario, by 17.0 per cent to 20,500 units in the Prairies, by 1.4 per cent to 7,300 units in Atlantic Canada, and by 9.2 per cent to 10,900 units in British Columbia.

Rural starts were at a seasonally adjusted annual rate of 18,600 units in July.

Year-to-date actual starts down compared to 2008

Year-to-date actual starts in rural and urban areas combined decreased by an estimated 41.5 per cent compared to relatively high levels during the first seven months of 2008. Actual urban single starts from January to July 2009 are down 38.2 per cent compared to a year earlier while urban multiple starts are down 47.0 per cent over the same period. On a year-to-date basis, actual total housing starts in urban areas have decreased by an estimated 43.5 per cent when compared to the same period in 2008.

Growth in new house prices moderates in June

The New Housing Price Index (NHPI) fell by 3.3 per cent in June compared to the previous year.

In comparing June 2009 to June 2008, St. John's had a double digit increase of 10.3 per cent. Declines were observed in Windsor (-0.1 per cent), Toronto and Oshawa (-1.1 per cent), St. Catharines-Niagara (-1.6 per cent), Hamilton (-2.0 per cent), Victoria (-7.0 per cent), Calgary (-8.0 per cent), Vancouver (-9.1 per cent), Saskatoon (-10.4 per cent) and Edmonton (-11.7 per cent).

Existing Home Market

MLS®[1] sales increased in July

The seasonally adjusted annual rate of MLS®[1] (Multiple Listing Service®) sales increased to 510,468 units in July 2009, its highest level since November 2007, when the seasonally adjusted annual rate of MLS® sales reached 523,404 units. July sales were up 2.5 per cent compared to June.

Actual MLS® sales in July were up 18.2 per cent compared to the same period in 2008.

MLS® new listings decreased in July

The seasonally adjusted annual rate of MLS® new listings in July increased 2.6 per cent to 819,516 units, compared to 799,020 units in June.

Actual new listings are down 13.0 per cent when compared to July 2008.

Sales-to-new-listings ratio up in July

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[2]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

Canada's existing home markets dipped briefly into buyers' market territory late in 2008. In the past five months, however, an increasing sales-to-new-listings ratio and stronger price growth have indicated another shift in existing home market

[1]Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

[2]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

conditions. The Canada-wide seasonally adjusted sales-to-new-listings ratio reached 62.3 in July, indicating a return to sellers' market conditions.

The July seasonally adjusted average MLS® price in Canada rose to its highest level since the Canadian Real Estate Association started collecting the data, up 2.9 per cent to $323,946 compared to $314,967 in June. The unadjusted MLS® average price was up 7.6 per cent in July compared to a year ago.

The year-over-year increase in the unadjusted MLS® average price is due, in part, to improved sales in the higher priced markets such as British Columbia and Ontario, where unit sales are up 4.4 per cent and 6.9 per cent, respectively, on a year-over-year basis.

Economic conditions

According to Statistics Canada, employment dropped by 45,000 in July with declines in both full- and part-time work. Since October, total employment has fallen 2.4 per cent, all in full-time work. Most of the July employment losses were in Quebec. There were also losses in Saskatchewan and Newfoundland and Labrador. Employment changed little in other provinces. In terms of private sector employees, construction employment declined by 18,000 in July contributing to total losses since October of -9.6 per cent. Overall, the unemployment rate remained unchanged at 8.6 per cent in July.

In July, the Bank of Canada announced that it was leaving the overnight rate target at 0.25 per cent. The Bank noted that while the global economy has experienced a downturn, there are signs that the monetary and fiscal stimulus packages created by many countries are starting to take effect. The Bank also notes that a rebound in business and consumer confidence is helping to spur demand onward.

The Consumer Price Index (CPI) fell by 0.9 per cent in July 2009 compared to the same month in 2008, following a 0.3 per cent decrease in June 2009. The decrease was primarily attributable to a 12-month decline of 23.4 per cent in energy product prices, particularly gasoline. Excluding energy prices, the CPI was up 1.8 per cent from July 2008. On a seasonally adjusted monthly basis, consumer prices dropped 0.3 per cent from June 2009 to July 2009, after rising 0.3 per cent from May to June.

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Demand for Variable Rate Mortgages Increased in 2008

Since 1998, variable rate mortgages have become increasingly popular. Among mortgage holders that participated in the Financial Industry Research Monitor (FIRM) survey conducted in December 2008, approximately 30 per cent opted for a variable rate mortgage, up from about 3 per cent in December 1998.

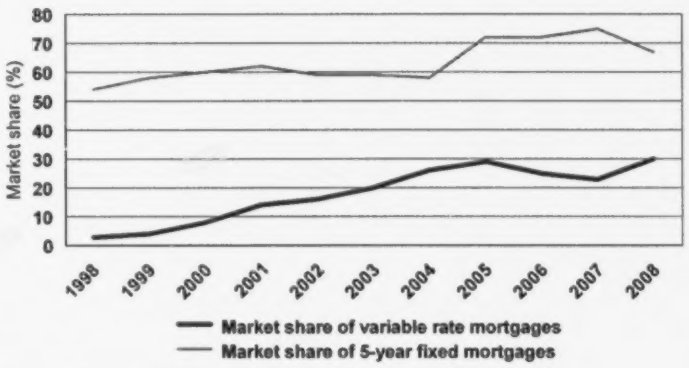
Home buyers in Canada have an array of mortgage products to choose from. The primary selection involves the choice of mortgage type, and term, which in turn has an impact on the mortgage rate.

An important choice facing borrowers is whether to "lock-in" a rate for the mortgage term or to proceed with a variable rate. Fixed term 5-year mortgages have dominated the Canadian mortgage market for decades. Year after year, these mortgages remain the most popular type among Canadian homeowners, accounting for more than half of all mortgages.

However, variable rate mortgages have become more prevalent in the market. Variable rate mortgages now account for about 30 per cent of all mortgages, up from 3 per in December 1998.

Figure 3

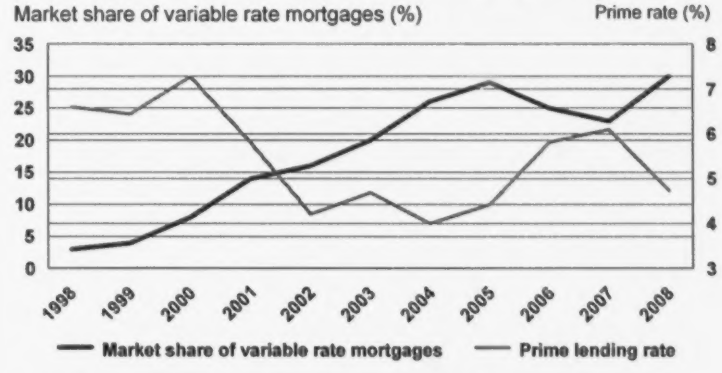
Variable rate mortgages making an inroad



Source: Financial Industry Research Monitor surveys, Altus Clayton Research/Ipsos-Reid

Figure 4

About thirty per cent of all mortgage holders selected a variable rate mortgage in 2008



Source: Statistics Canada, Financial Industry Research Monitor surveys, Altus Clayton Research/Ipsos-Reid

Variable rate mortgage products

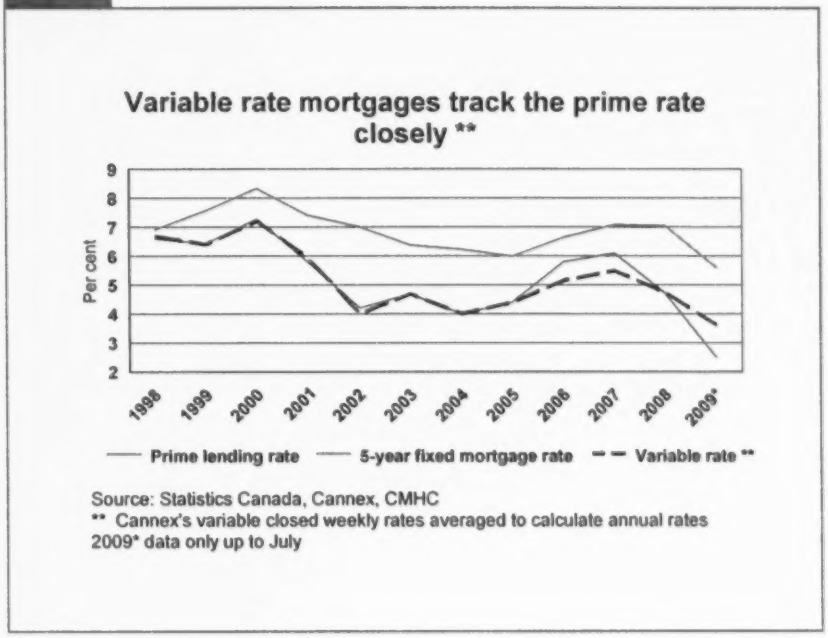
A variable rate mortgage may be "open" or "closed". An open mortgage can be paid off at anytime without an interest penalty, whereas for a closed variable rate mortgage, prepayment above an agreed upon threshold may result in an interest penalty.

Also, consumers have the choice between floating variable rate mortgages and protected variable rate mortgages. A floating variable rate mortgage allows for a perfectly open and variable rate that moves in line with the prime rate. In the case of a protected variable rate mortgage, the borrower has some protection against rising interest rates; once the mortgage rate rises to some predetermined threshold the mortgage converts to a fixed rate mortgage for the remainder of the term.

Advantages and risks associated with variable rate mortgages

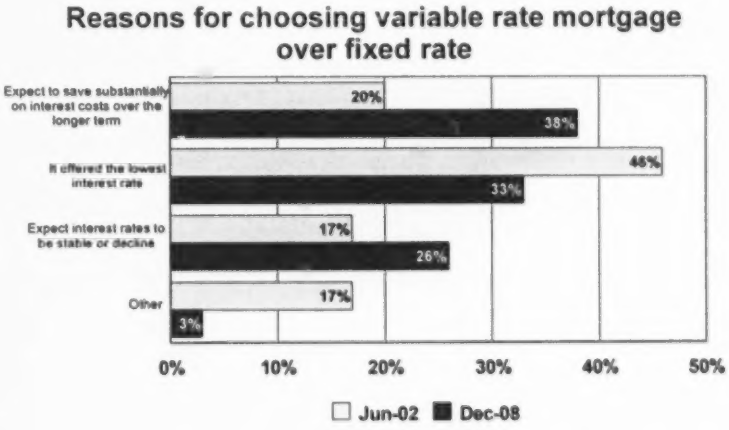
The choice between "fixed" and "variable" mortgage rates largely depends on personal circumstances and preferences of the borrowers. The interest rate charged on variable rate mortgages are generally lower than those on fixed rate mortgages,

Figure 5



Source: Statistics Canada, Cannex, CMHC
** Cannex's variable closed weekly rates averaged to calculate annual rates
2009* data only up to July

Figure 6



Source: Financial Industry Research Monitor surveys (FIRM), Altus Clayton Research/Ipsos-Reid
*December 2008 survey

but they leave the borrower vulnerable to changes in the mortgage rates. Thus if a borrower is willing to absorb the risk of rising mortgage rates, he/she might opt for a variable rate mortgage product.

On the other hand, if a borrower wants the assurance of a fixed payment and peace of mind, he/she is more likely to choose a fixed rate mortgage product.

According to the FIRM survey conducted in December 2008, thirty-eight per cent of homeowners with variable rate mortgages expected to save substantially on interest costs over the longer term, up from twenty per cent in June 2002 (the last time the survey probed mortgage holders with the same questions). This was the most popular reason for choosing a variable rate mortgage in 2008.

Thirty-three per cent reported that variable rate mortgage offered the lowest interest rate, while twenty-six per cent selected a variable rate mortgage because they expected interest rates to be stable or decline. The latter was up from 17 per cent in June 2002.

The Bank of Canada aggressively cut its key lending rate in an effort to revive the national economy which led to a downward trend in mortgage rates during the second half of 2008. This contributed to the rising popularity of variable rate mortgages and has benefited borrowers.

With the commitment of the Bank of Canada to hold the overnight lending rate stable through June 2010, borrowers with variable rate mortgages may continue to enjoy low monthly mortgage carrying costs, which can make these types of mortgages more attractive than fixed rate mortgages.

The interest rate sets the tune

The interest rates charged on variable rate mortgages are tied to the chartered banks' prime rate. Demand for variable rate mortgages, as measured by their market share, has varied inversely with the prime lending rate. Thus when the prime rate and subsequently variable mortgage rates decline, demand for variable rate mortgages rises. ■

This Month's Housing Data (SAAR)

	2008	Q4:08	Q1:09	Q2:09	M5:09	M06:09	M07:09
Housing starts, units, 000s							
Canada. Total. All areas	211.1	184.9	139.4	128.1	127.4	137.8	134.2
Per cent change from previous period	-7.6	-11.0	-24.6	-8.1	7.5	8.2	-2.6
Canada. Total. Rural areas	23.7	22.1	19.1	17.7	17.7	17.7	18.6
Per cent change from previous period	-31.5	-16.0	-13.6	-7.3	0.0	0.0	5.1
Canada. Total. Urban areas	187.4	162.8	120.3	110.4	109.7	120.1	115.6
Per cent change from previous period	-3.3	-10.3	-26.1	-8.2	8.8	9.5	-3.7
Canada. Single. Urban areas	74.4	66.9	47.4	49.5	49.5	53.1	52.9
Per cent change from previous period	-18.1	-8.1	-29.1	4.4	9.0	7.3	-0.4
Canada. Multiple. Urban areas	112.9	95.9	72.9	60.9	60.2	67.0	62.7
Per cent change from previous period	9.8	-11.7	-24.0	-16.5	8.7	11.3	-6.4
Newfoundland. Total. All areas	3.3	3.6	3.4	2.8	2.8	2.9	2.9
Per cent change from previous period	23.1	5.9	-5.6	-17.6	3.7	3.6	0.0
Prince Edward Island. Total. All areas	0.7	0.7	0.4	0.8	0.8	1.0	0.6
Per cent change from previous period	-5.1	16.7	-42.9	100.0	60.0	25.0	-40.0
Nova Scotia. Total. All areas	4.0	3.4	3.7	2.7	2.9	2.7	3.3
Per cent change from previous period	-16.2	-17.1	8.8	-27.0	20.8	-6.9	22.2
New Brunswick. Total. All areas	4.3	4.0	3.3	3.7	3.7	3.3	3.8
Per cent change from previous period	0.8	-2.4	-17.5	12.1	-7.5	-10.8	15.2
Quebec. Total. All areas	47.9	47.7	41.3	39.1	40.1	37.9	46.2
Per cent change from previous period	-1.3	0.2	-13.4	-5.3	2.3	-5.5	21.9
Ontario. Total. All areas	75.1	67.8	54.3	42.6	44.5	45.8	39.1
Per cent change from previous period	10.2	-9.4	-19.9	-21.5	19.0	2.9	-14.6
Manitoba. Total. All areas	5.5	5.8	3.4	4.1	3.7	5.0	4.0
Per cent change from previous period	-3.5	7.4	-41.4	20.6	5.7	35.1	-20.0
Saskatchewan. Total. All areas	6.8	5.3	2.2	3.4	3.0	5.1	3.6
Per cent change from previous period	13.7	-26.4	-58.5	54.5	36.4	70.0	-29.4
Alberta. Total. All areas	29.2	21.9	13.4	16.1	14.2	20.0	17.6
Per cent change from previous period	-39.7	-13.1	-38.8	20.1	0.0	40.8	-12.0
British Columbia. Total. All areas	34.3	24.7	14.0	12.8	11.7	14.1	13.1
Per cent change from previous period	-12.4	-30.0	-43.3	-8.6	-5.6	20.5	-7.1

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2008	Q4:08	Q1:09	Q2:09	M5:09	M06:09	M07:09
Canada. Total. Urban areas	187.4	162.8	120.3	110.4	109.7	120.1	115.6
Newfoundland. Total. Urban areas	2.2	2.5	2.4	2.0	2.0	2.1	2.0
Prince Edward Island. Total. Urban areas	0.5	0.6	0.2	0.6	0.6	0.8	0.5
Nova Scotia. Total. Urban areas	3.3	2.9	3.0	2.1	2.3	2.1	2.1
New Brunswick. Total. Urban areas	3.1	2.9	2.4	2.8	2.8	2.4	2.7
Quebec. Total. Urban areas	41.6	40.4	33.1	33.8	34.8	32.6	40.0
Ontario. Total. Urban areas	71.9	65.0	52.3	40.2	42.1	43.4	36.9
Manitoba. Total. Urban areas	3.8	4.4	2.3	2.6	2.2	3.5	2.7
Saskatchewan. Total. Urban areas	4.7	3.5	1.6	2.4	2.0	4.1	2.3
Alberta. Total. Urban areas	25.4	19.1	11.1	13.2	11.3	17.1	15.5
British Columbia. Total. Urban areas	30.9	21.5	11.9	10.7	9.6	12.0	10.9

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2008	Q4:08	Q1:09	Q2:09	M5:09	M06:09	M07:09
New Housing							
New & unoccupied singles & semis, units 000s	7.6	8.5	8.9	8.4	8.6	8.0	7.5
Per cent change from same period previous year	26.2	37.9	29.4	14.8	14.1	8.0	2.5
New & unoccupied row & apartments, units 000s	9.5	10.6	11.2	12.0	12.0	12.4	12.9
Per cent change from same period previous year	9.9	15.4	21.0	34.6	34.8	41.9	41.8
New House Price Index, 1997=100	158.2	157.7	155.4	153.5	153.5	153.2	n.a.
Per cent change from same period previous year	3.4	0.9	-1.6	-3.1	-3.1	-3.3	n.a.
Existing Housing							
MLS® resales*, units 000s	434.5	346.7	347.3	456.7	456.1	497.8	510.5
Per cent change from same period previous year	-17.1	-32.5	-27.7	-1.4	-1.3	7.9	11.3
MLS® average resale price, $C 000s**	303.6	287.8	285.5	305.2	307.7	315.0	323.9
Per cent change from same period previous year	-0.7	-9.7	-9.3	-1.5	-1.0	2.1	7.6
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.70	6.10	4.83	3.85	3.90	3.75	3.75
Posted 5-Year Mortgage Rate, % (period average)	7.06	7.05	5.71	5.45	5.25	5.85	5.85

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.
n.a. Figures not available
* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).
** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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Canada's Economic Action Plan

Canada's Economic Action Plan 2009 announced a number of housing-related measures which are being delivered through Canada Mortgage and Housing Corporation. Find out more.

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